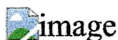


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Tax Brackets for 2026 Set, With a 2.7% Overall Adjustment

BY ASHLEA EBELING

The income brackets that determine how much Americans pay in taxes each year are moving up for 2026, with a bigger bump for the lowest brackets because of this year's new tax law.

It will take more income to reach each higher tax bracket after a 4% inflation adjustment for the lowest two brackets and a 2.3% adjustment for the higher brackets, the Internal Revenue Service said Thursday. The annual adjustments are based on formulas tied to inflation. The adjustments are for returns filed in early 2027.

This year's overall adjustment of 2.7% comes in just under the current inflation rate. Average hourly earnings were up 3.7% in August from a year earlier, the Labor Department said last month.

The new income ranges for each tax bracket and a higher standard deduction mean that someone who earns the same income next year would likely owe slightly less in taxes, though the difference may be a few hundred dollars in many cases. Changes to the estate tax exclusion amount, meanwhile, could save some taxpayers hundreds of thousands of dollars.

Here are some of the key changes.

Tax brackets

The threshold for the top federal income-tax bracket in 2026 will climb by about \$17,000 for a married couple. The 37% income-tax rate will apply to income above \$768,700. For individuals, that top tax bracket will kick in above \$640,600.

The effective tax rate will be lower than the top rate. That is because the first slice of income is taxed at 10%, the next slice at 12%, and so on. The higher brackets apply to income that exceeds the thresholds for the lower brackets.

A married couple filing jointly could have \$100,800 in taxable income, nearly \$4,000 more than this year, and stay in the 12% bracket.

Not all tax parameters get inflation adjustments, although the new tax law added some more to the mix.

The child tax credit is now subject to adjustments but will remain at \$2,200 for 2026.

The cap on the state and local tax deduction, known as the SALT deduction, isn't affected by the inflation adjustments but gets a special 1% annual adjustment, to \$40,400 for 2026, said Mark Luscombe, principal analyst with Wolters Kluwer Tax & Accounting.

The new temporary deductions for tips, overtime, car loan interest and for seniors aren't indexed for inflation.

Standard deduction

The standard deduction rises to \$16,100 for individuals in 2026, from \$15,750. For married couples who file jointly, it is \$32,200, up from \$31,500. Most filers save money by taking the standard deduction instead of itemizing deductions such as charitable donations and medical expenses.

Capital-gains rate

The income thresholds for paying capital-gains tax at various rates are also indexed for inflation. Some taxpayers can sell appreciated stock and snag a 0% capital-gains tax rate. For 2026, the 0% rate applies to single filers with taxable income up to \$49,450 and joint-filing couples with incomes up to \$98,900.

Estate-tax threshold

The new tax law set the federal estate-tax exclusion—the amount an individual can shelter from estate taxes—at \$15 million for deaths in 2026, up from \$13.99 million this year. That is an extra boost beyond the annual inflation adjustments. Individuals can make lifetime gifts, outright or in irrevocable trusts, up to that amount without incurring federal estate or gift tax. The giver owes taxes only if the amount goes over the threshold.

A separate annual limit on tax-free gifts is \$19,000 for 2026, the same as this year. These gifts don't count toward the overall \$15 million maximum, and neither the gift giver nor receiver is taxed.

Inflation adjustments for retirement-account limits will be announced later this fall.

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